

**PUBLIC DISCLOSURE**

FEBRUARY 3, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BROTHERHOOD CREDIT UNION

75 MARKET STREET  
LYNN, MA 01901

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **BROTHERHOOD CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory "**

The assessment of Brotherhood Credit Union's (BCU) record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

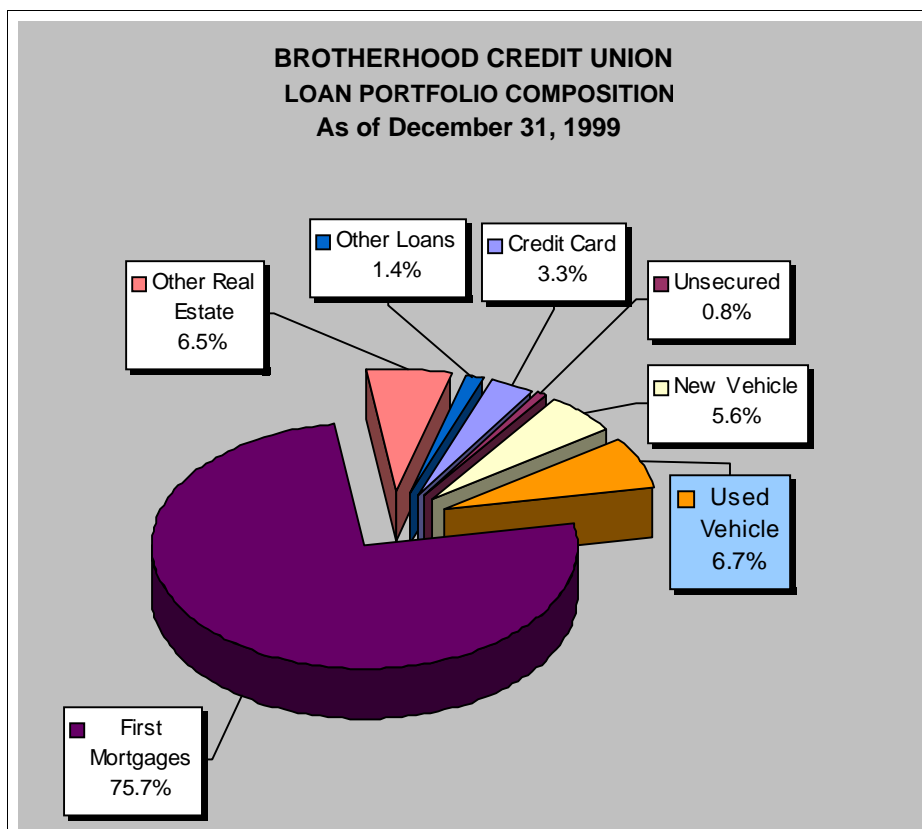
BCU makes the majority of its loans within its assessment area. Shares from the members are returned to them in the form of residential and consumer loans. The distribution of loans to borrowers of different income levels satisfactorily represents the demographic composition of the assessment area. The geographic distribution of loans within the assessment area indicates adequate penetration of the low and moderate-income census tracts. The credit union has not received any complaints related to its CRA performance. Finally, fair lending policies and practices were considered adequate although weaknesses were noted in some areas.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Brotherhood Credit Union (BCU) is a community credit union established in 1934. The credit union's by-laws limit the membership to individuals who work or reside within the Counties of Essex, Suffolk, Middlesex, and Norfolk.

According to NCUA Call Report information, BCU's total assets for the period ending December 31, 1999, were \$92,367,616. As of December 31, 1999, loans comprised 38.0 percent of BCU's total assets. Residential first mortgages represent the largest dollar volume with 75.7 percent of the loan portfolio. New and used vehicle loans are next with 12.3 percent. The remaining loan portfolio consists of other real estate, credit card, and unsecured and other loans. Refer to the following chart.



The credit union operates from one office, which is located in the downtown section of Lynn. BCU offers members a variety of fixed and variable rate mortgage products. In addition, BCU maintains a relationship with Allanach Mortgage Company, which allows members who seek low down payment and first time homebuyer products more options than BCU can offer.

BCU's business hours are from 9:00 a.m. to 4:00 p.m. Monday through Friday, with extended hours on Thursday evenings to 6:00 p.m.; and Saturday from 9:00 a.m. to noon. Drive-up window service is available during business hours. Hours of operation appear convenient and accessible to members. Additionally, the credit union offers the convenience of Automated Teller Machine (ATM) card service to its members. ATM cards issued by BCU can be utilized at any ATM that uses the Cirrus network.

The Division of Banks last examined the credit union for compliance with the Community Reinvestment Act on August 1, 1997. That examination resulted in a CRA rating of "Satisfactory".

### **Description of Assessment Area**

BCU's assessment area is comprised of 7 cities and towns. The municipalities are all located within the Boston Metropolitan Statistical Area (MSA), and include the Cities of Lynn, Salem, and Peabody, and the Towns of Marblehead, Nahant, Saugus, and Swampscott. The assessment area has a total of 50 census tracts. Of these census tracts, 5 or 10.0 percent are designated as low-income; 16 or 32.0 percent are moderate-income; 24 or 48.0 percent are middle-income; and 5 or 10.0 percent are upper-income. The City of Lynn is geographically situated approximately 12 miles north of the City of Boston. The assessment area's remaining communities are contiguous to Lynn.

An analysis of family household income within the assessment area indicates that 23.0 percent of the families are low-income; 19.8 percent are moderate-income; 25.1 percent are middle-income; and 32.1 percent are upper-income. According to 1990 census data, 10.0 percent of the assessment area's households live below the poverty level. This figure is slightly above the statewide figure of 8.9 percent.

Census data for 1990 indicates that 53.1 percent of the total housing units within the assessment area are within middle-income tracts and 33.6 percent are within low and moderate-income tracts. All housing units located in low-income tracts are within the City of Lynn. The following housing data is based on 1990 census.

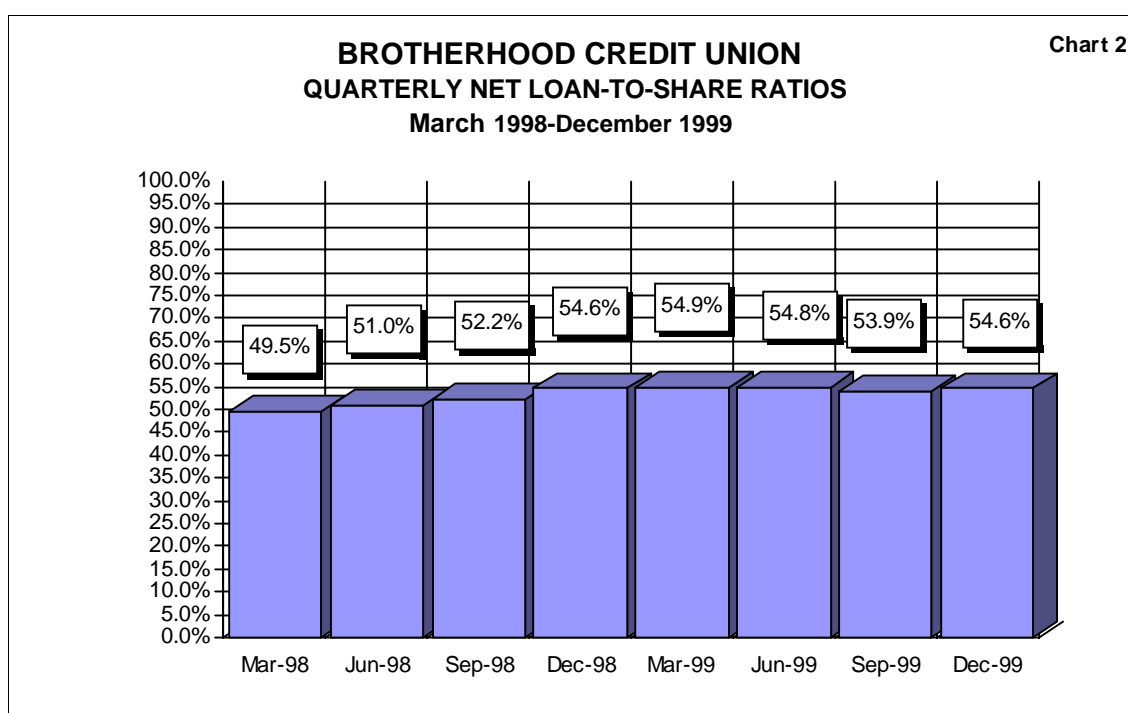
<b>ASSESSMENT AREA HOUSING DATA*</b>							
<b>CENSUS TRACTS</b>	<b>HOUSING UNITS</b>	<b>VACANT UNITS</b>	<b>% OWNER-OCCUPIED</b>	<b>% RENTER-OCCUPIED</b>	<b>TOTAL FAMILIES</b>	<b>%</b>	<b>MEDIAN HOME VALUE</b>
LOW INCOME	7,796	1,033	12.4	74.4	3,030	5.0	\$129,293
MODERATE INCOME	24,340	2,120	38.3	53.0	14,503	24.1	\$133,085
MIDDLE INCOME	50,850	2,486	65.4	29.7	34,420	57.1	\$166,647
UPPER INCOME	12,688	778	68.8	25.1	8,285	13.8	\$256,124
<b>TOTALS</b>	<b>95,674</b>	<b>6,417</b>			<b>60,238</b>	<b>100.0</b>	<b>\$166,931</b>

\*Based on 1990 Census Data.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

An analysis of BCU's net loan-to-share (LTS) ratio was performed using NCUA quarterly call report data for the period March 31, 1998, through December 31 1999. The analysis was conducted to determine the extent of the credit union's lending compared to deposits received from its membership. The average net LTS for the period reviewed was 53.2 percent. Chart 2, as illustrated below, indicates minor fluctuation during this time period, from a low of 49.5 percent for the period ending March 31, 1998, to a high of 54.9 percent for the period ending March 31, 1999.



A comparison of BCU's net loan to total share ratio to that of other community credit unions was also performed. As of June 30, 1999, BCU had total assets of approximately \$93.9 million and a net LTS ratio of 54.8 percent. The net LTS ratios and the total assets of four other community credit unions operating in the assessment area are reflected in the following table. The institutions used for this analysis are considered to be among BCU's main competitors. The data presented below is as of June 30, 1999.

<b>COMPARATIVE NET LOAN TO TOTAL SHARE RATIOS*</b>		
<b>Institutions</b>	<b>Total Assets \$(000)**</b>	<b>Net LTS Ratios (%)</b>
Community C.U. of Lynn	52,510	79.5
Luso-American C.U.	50,788	70.0
St. Jeans C.U.	78,492	58.5
St. Joseph's C.U.	33,774	56.2
<b>Brotherhood C.U.</b>	<b>93,990</b>	<b>54.8</b>

\* June 30, 1999

\*\* In thousands

As the preceding table shows BCU's net LTS ratio is lower than that of its competitors. Although the credit union's net LTS ratio is lower, it is nonetheless still adequate.

Based upon the credit union's asset size, its capacity to lend, and the credit needs of the membership, the analysis of BCU's net loan-to-share ratio indicates that the credit union meets the standards of satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)**

A review of Brotherhood Credit Union's Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) data for calendar years 1998 and 1999, was conducted. In addition, an analysis of the credit union's consumer installment loan data for the same period was undertaken. The consumer loan data also included equity loans. The sample, consisting of 83 loans, was used to compare the institution's level of lending activity inside and outside of the assessment area.

### ***HMDA Loans***

HMDA reportable loan data was used to determine the institution's level of lending inside and outside the assessment area. According to the institution's HMDA/LARs, the credit union originated 90 residential loans in calendar year 1998 and 37 residential loans in 1999. Loans originated inside the credit union's assessment area represented 84.3 percent of the total number, and 82.9 percent of the total dollar volume of \$13.5 million. The City of Lynn accounted for 48.0 percent of the total number and 40.8 percent of the total dollar volume. The Town of Swampscott and the City of Peabody were a distant second and third place with 13.4 and 8.7 percent of the total number, respectively. Refer to the following tables for additional information.

Table 2a

RESIDENTIAL LOANS ORIGINATED BY NUMBER						
	1998		1999		TOTALS	
LOCATION	#	%	#	%	#	%
Lynn	46	51.1	15	40.5	61	48.0
Swampscott	10	11.1	7	18.9	17	13.4
Peabody	8	8.9	3	8.2	11	8.7
Nahant	6	6.7	1	2.7	7	5.5
Saugus	5	5.6	0	0.0	5	3.9
Salem	3	3.3	1	2.7	4	3.2
Marblehead	0	0.0	2	5.4	2	1.6
<b>INSIDE ASSESSMENT AREA</b>	<b>78</b>	<b>86.7</b>	<b>29</b>	<b>78.4</b>	<b>107</b>	<b>84.3</b>
<b>OUTSIDE ASSESSMENT AREA</b>	<b>12</b>	<b>13.3</b>	<b>8</b>	<b>21.6</b>	<b>20</b>	<b>15.7</b>
<b>TOTALS</b>	<b>90</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>127</b>	<b>100.0</b>

Source: HMDA/LAR Data

Table 2b

RESIDENTIAL LOANS ORIGINATED BY DOLLAR AMOUNT						
	1998		1999		TOTALS	
LOCATION	\$(000)	%	\$(000)	%	\$(000)	%
Lynn	4,020	42.4	1,513	36.9	5,533	40.8
Swampscott	1,327	14.0	977	23.8	2,304	17.0
Peabody	841	8.9	394	9.6	1,235	9.1
Nahant	1,087	11.5	98	2.4	1,185	8.7
Saugus	542	5.7	0	0	542	4.0
Salem	210	2.2	88	2.2	298	2.1
<b>Marblehead</b>	<b>0</b>	<b>0.0</b>	<b>165</b>	<b>4.0</b>	<b>165</b>	<b>1.2</b>
<b>INSIDE ASSESSMENT AREA</b>	<b>8,027</b>	<b>84.7</b>	<b>3,235</b>	<b>78.9</b>	<b>11,262</b>	<b>82.9</b>
<b>OUTSIDE ASSESSMENT AREA</b>	<b>1,451</b>	<b>15.3</b>	<b>864</b>	<b>21.1</b>	<b>2,315</b>	<b>17.1</b>
<b>TOTALS</b>	<b>9,478</b>	<b>100.0</b>	<b>4,099</b>	<b>100.0</b>	<b>13,577</b>	<b>100.0</b>

Source: HMDA/LAR Data

Although, the percentage of lending in the assessment area appears reasonable, it should be noted that mortgage loans have decreased significantly over the period under review. This is due to the decline of refinance applications since 1998, and a non-aggressive approach to mortgage originations.

### **Consumer Loans**

According to internal loan data, the credit union originated 649 consumer loans in 1998 and 464 consumer loans in 1999. A sample of 83 consumer loans for both 1998 and 1999 was analyzed. The number of loans originated inside the credit union's assessment area constituted 72.3 percent of the total number, or 66.8 percent of the total dollar volume. Lynn accounted for 39.9 percent of the total number and 35.2 percent of the total dollar volume. Swampscott and Peabody followed, with 8.4 percent and 7.2 percent of the total number and 10.5 percent and 6.3 percent of the dollar volume, respectively. Loans originated outside the assessment area constituted 27.7 percent of the total number and

33.2 percent of the sample's total dollar volume. Refer to the following tables for additional information.

Table 2c

<b>CONSUMER LOANS ORIGINATED BY NUMBER</b>						
	<b>1998</b>		<b>1999</b>		<b>TOTALS</b>	
<b>LOCATION</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Lynn	18	42.8	15	36.6	33	39.9
Swampscott	1	2.4	6	14.7	7	8.4
Peabody	4	9.5	2	4.9	6	7.2
Saugus	1	2.4	5	12.2	6	7.2
Salem	2	4.8	3	7.3	5	6.0
Nahant	1	2.4	1	2.4	2	2.4
Marblehead	0	0.0	1	2.4	1	1.2
<b>INSIDE ASSESSMENT AREA</b>	<b>27</b>	<b>64.3</b>	<b>33</b>	<b>80.5</b>	<b>60</b>	<b>72.3</b>
<b>OUTSIDE ASSESSMENT AREA</b>	<b>15</b>	<b>35.7</b>	<b>8</b>	<b>19.5</b>	<b>23</b>	<b>27.7</b>
<b>TOTALS</b>	<b>42</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>

Source: Credit Union Loan Data

Table 2d

<b>CONSUMER LOANS ORIGINATED BY DOLLAR AMOUNT</b>						
	<b>1998</b>		<b>1999</b>		<b>TOTALS</b>	
<b>LOCATION</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Lynn	164	35.3	153	35.1	317	35.2
Swampscott	15	3.2	80	18.3	95	10.5
Peabody	40	8.6	17	3.9	57	6.3
Saugus	9	1.9	41	9.4	50	5.5
Salem	19	4.1	22	5.0	41	4.6
Nahant	10	2.2	16	3.7	26	2.9
Marblehead	0	0.0	16	3.7	16	1.8
<b>INSIDE ASSESSMENT AREA</b>	<b>257</b>	<b>55.3</b>	<b>345</b>	<b>79.1</b>	<b>602</b>	<b>66.8</b>
<b>OUTSIDE ASSESSMENT AREA</b>	<b>208</b>	<b>44.7</b>	<b>91</b>	<b>20.9</b>	<b>299</b>	<b>33.2</b>
<b>TOTALS</b>	<b>465</b>	<b>100.0</b>	<b>436</b>	<b>100.0</b>	<b>901</b>	<b>100.0</b>

Source: Credit Union Loan Data

Based upon the analysis of HMDA data and the consumer installment loan sample, the credit union's level of lending within the assessment area meets the standards for satisfactory performance.



### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of BCU's Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) data for calendar years 1998 and 1999, and a sample of unsecured consumer and vehicle loans for the same period was conducted in order to determine the distribution of credit among borrowers of different income levels. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the Boston Metropolitan Statistical Area (MSA). The median family incomes for the years 1998 and 1999 were \$60,000 and \$62,700, respectively. These figures are based upon estimated 1998 and 1999 Department of Housing and Urban Development (HUD) information.

Low-income is defined by the U.S. Census Bureau as income below 50 percent of the median family income level for the MSA; moderate-income is defined as income between 50 to 79 percent of the median family income; middle-income is defined as income between 80 and 119 percent of the median family income; and upper-income is defined as income at or greater than 120 percent of the median family income.

BCU granted 78 residential loans in 1998 and 29 loans in 1999 inside its assessment area. Loans extended to middle-income borrowers and upper-income borrowers tied as the largest individual categories with 33.6 percent of the total number. However, a larger percentage of loans by dollar volume were originated among upper-income borrowers. Loans to borrowers of moderate-income were second with 23.4 percent of the number and 20.9 percent of the dollar volume. Refer to the following tables.

Table 3a

RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Number)						
% OF MEDIAN MSA INCOME	1998		1999		TOTALS	
	#	%	#	%	#	%
<50%	7	9.0	2	6.9	9	8.4
50%-79%	18	23.1	7	24.1	25	23.4
80%-119%	27	34.6	9	31.0	36	33.6
120%>	25	32.0	11	38.0	36	33.6
NA	1	1.3	0	0.0	1	1.0
TOTALS	78	100.0	29	100.0	107	100.0

Source: HMDA/LAR Data

Table 3b

RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Dollar Amount)						
% OF MEDIAN MSA INCOME	1998		1999		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	322	4.0	50	1.5	372	3.3
50%-79%	1,675	20.9	681	21.1	2,356	20.9
80%-119%	2,627	32.7	980	30.3	3,607	32.0
120%>	3,227	40.2	1,524	47.1	4,751	42.2
NA	176	2.2	0	0.0	176	1.6
TOTALS	8,027	100.0	3,235	100.0	11,262	100.0

Source: HMDA/LAR Data

Brotherhood Credit Union's distribution of lending among borrowers of different income levels for calendar year 1998 was also compared to that of the other HMDA-reporting lenders that made loans within the credit union's assessment area during this same period. The 1998 information is the most recent for aggregate analysis. It should be noted that the aggregate data has a relatively high number of "Not Available (NA)" entries. Therefore, the effects of the data provided may skew the analysis to some degree. Refer to the following table.

Table 3c

Residential Loans by Census Tract Classification Compared to 1998 Aggregate HMDA Data					
MSA Median Family Income Levels	% Total Families	NUMBER OF LOANS		DOLLAR AMOUNT	
		BCU	*All Other Lenders	BCU	*All Other Lenders
		% #	% #	\$(000) %	\$(000) %
< 50%	23.0	9.0	5.9	4.0	3.3
50% - 79%	19.8	23.1	17.3	20.9	11.3
80% - 119%	25.1	34.6	27.4	32.7	21.8
> = 120%	32.1	32.0	34.1	40.2	39.5
NA	0.0	1.3	15.3	2.2	24.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: 1998 HMDA/LAR and \*HMDA Aggregate Data

The results of the analysis indicated that the percentage of BCU's HMDA-reportable loans granted to low-income borrowers at 9.0 percent of the number and 4.0 percent of the dollar volume was proportionately greater than that of all other lenders by both the number and dollar volume of loans originated. Lending by BCU among borrowers of moderate-income and other income levels more closely mirrors the dispersion of the different family income levels within the assessment area than that of the aggregate.

A sample of 60 consumer loans originated in 1998 and 1999 was reviewed to determine their distribution among borrowers of different income levels. According to this analysis, 36.7 percent of the credit union's consumer loans were granted to low-income borrowers and 30.0 percent were granted to moderate-income borrowers. Refer to the following tables.

Table 3d

CONSUMER LOANS ORIGINATED BY INCOME OF BORROWER (Number)						
% OF MEDIAN MSA INCOME	1998		1999		TOTALS	
	#	%	#	%	#	%
<50%	10	37.0	12	36.4	22	36.7
50%-79%	7	25.9	11	33.3	18	30.0
80%-119%	7	25.9	7	21.2	14	23.3
120%>	3	11.2	3	9.1	6	10.0
<b>TOTALS</b>	<b>27</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>

Source: Credit Union Loan Data

Table 3e

<b>CONSUMER LOANS ORIGINATED BY INCOME OF BORROWER (Dollar)</b>						
% OF MEDIAN MSA INCOME	1998		1999		TOTALS	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
<50%	80	31.2	108	31.3	188	31.2
50%-79%	75	29.2	105	30.4	180	30.0
80%-119%	69	26.8	92	26.7	161	26.7
120%>	33	12.8	40	11.6	73	12.1
<b>TOTALS</b>	<b>257</b>	<b>100.0</b>	<b>345</b>	<b>100.0</b>	<b>602</b>	<b>100.0</b>

Source: Credit Union Loan Data

Although the distribution of consumer loans among low and moderate-income borrowers appears high, it should be noted that the breakdown by income group is based on median family income. Consumer loans typically utilize the income of only one applicant. Hence, it is not unusual to see a relatively high percentage of consumer lending among low and moderate-income borrowers. Although the above analysis is based on median family income, the credit union's consumer lending demonstrates a reasonable distribution among all income groups.

Based upon the above analysis, the credit union's distribution of lending among borrowers of different income levels meets the standards for satisfactory performance.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

An analysis was conducted of Brotherhood Credit Union's residential loan originations to determine their distribution among geographies of different income levels. As mentioned previously, the credit union's assessment area has a total of 50 census tracts with the following distribution of median income levels: 5 or 10.0 percent low-income tracts; 16 or 32.0 percent moderate-income tracts; 24 or 48.0 percent middle-income tracts; and 5 or 10.0 percent upper-income tracts.

According to this analysis, BCU extended 24 residential loans representing 22.5 percent by number and 17.0 percent by dollar amount in low and moderate-income census tracts. Also, 65.4 percent of the number and 64.5 percent of the total dollar volume of residential loans were originated in the middle-income tracts. Loans originated in upper-income tracts represented 12.1 percent of the total number and 18.5 percent of the total dollar volume. Refer to the following tables.

Table 4a

RESIDENTIAL LOANS BY CENSUS TRACT (Number)						
CENSUS TRACT	1998		1999		TOTALS	
	#	%	#	%	#	%
LOW	2	2.6	0	0.0	2	1.9
MODERATE	16	20.5	6	20.7	22	20.6
MIDDLE	52	66.6	18	62.1	70	65.4
UPPER	8	10.3	5	17.2	13	12.1
TOTALS	78	100.0	29	100.0	107	100.0

Source: HMDA/LAR Data

Table 4b

RESIDENTIAL LOANS BY CENSUS TRACT (Dollar Amount)						
CENSUS TRACT	1998		1999		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
LOW	65	0.8	0	0.0	65	0.5
MODERATE	1,432	17.8	421	13.0	1,853	16.5
MIDDLE	5,157	64.3	2,109	65.2	7,266	64.5
UPPER	1,373	17.1	705	21.8	2,078	18.5
TOTALS	8,027	100.0	3,235	100.0	11,262	100.0

Source: HMDA/LAR Data

Brotherhood Credit Union's geographic distribution of loans was also compared to the geographic distribution of loans of other HMDA-reporting lenders as well as the distribution of owner-occupied properties within census tracts of different income levels within the assessment area. The largest concentration of owner-occupied properties is within middle-income census tracts while the smallest concentration is in low-income census tracts. According to this analysis, the credit union's geographic distribution of loans closely reflects the distribution of owner-occupied properties within its assessment area. The credit union performed slightly better than the aggregate in originating loans in low and moderate-income census tracts. Refer to the following table.

Table 4c

RESIDENTIAL LOANS BASED ON AGGREGATE DATA <sup>1</sup>						
CENSUS TRACT INCOME CATEGORY	1-4 FAMILY OWNER-OCCUPIED PROPERTIES*		CREDIT UNION 1998		1998 AGGREGATE DATA	
			NUMBER	DOLLAR	NUMBER	DOLLAR
			OF LOANS	AMOUNT	OF LOANS	AMOUNT
	#	%	%	%	%	%
LOW	963	1.9	2.6	0.8	2.2	1.3
MODERATE	9,315	17.8	20.5	17.8	16.5	11.1
MIDDLE	33,261	63.6	66.6	64.3	60.2	57.9
UPPER	8,728	16.7	10.3	17.1	21.2	29.7
TOTAL	52,267	100.0	100.0	100.0	100.0	100.0

Source:\*1990 Census Data  
<sup>1</sup>©PCI Services, Inc. CRA WIZ

Based upon the above analysis, BCU's distribution of HMDA-reportable loans among census tracts of different income levels is considered reasonable and meets the standards for satisfactory performance.

## 5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the credit union's public comment file and its performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

### ***Review of Complaints***

A thorough review of the public comment file revealed that the credit union received no complaints pertaining to its CRA performance since the previous examination.

### ***Fair Lending Policies and Practices***

BCU has not yet established a Fair Lending Policy on Discrimination in Lending, however the credit union does make reference to second review practices in the loan policy.

Detailed below is the credit union's fair lending performance as it correlates to the guidelines established by Regulatory Bulletin 2.3-101, the Division of Bank's Community Reinvestment and Fair Lending Policy.

## **STAFF TRAINING**

The credit union's staff has not participated in any fair lending or diversity training since the previous examination.

## **STAFF COMPOSITION AND COMPENSATION**

BCU has a staff consisting of 1 part-time employee and 18 full-time employees, 2 of which are members of a minority group. The credit union employs several individuals who are bilingual. In addition to English, these individuals speak Portuguese or Spanish.

The credit union does not compensate any of its three loan officers on a commission basis, thereby encouraging loans of all amounts including loans to low and moderate-income individuals.

## **OUTREACH**

BCU's outreach efforts to community organizations appear limited. Ascertainment of credit needs within the assessment area focus primarily on groups in the city of Lynn.

## **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

BCU does not offer programs with flexible underwriting standards. However the credit union does refer customers to Allanach Mortgage Company which offers first time homebuyers products with low down payment requirements and flexible underwriting criteria.

## **MARKETING**

BCU currently utilizes print and cable media to advertise its credit products and services. The credit union advertises in newspapers throughout its assessment area including, but not limited to: The Essex County Newspaper, The Salem Evening News, The Jewish Journal and The Community Newspaper.

## **CREDIT EDUCATION**

The credit union has not participated in any formal credit education programs since the previous examination.

## **COUNSELLING**

The credit union refers loan customers whose home loan is delinquent to the appropriate credit counseling services available in the area.

## **SECOND REVIEW PRACTICES**

Brotherhood Credit Union has a second review process in place in which all loan applications that are not originally approved are reviewed by a second loan officer. This review is done to insure adherence to the credit union's standards prior to an adverse action notice being sent to the applicant.

## **INTERNAL CONTROL PROCEDURES**

The credit union currently does not have internal control procedures in place to check for compliance with fair lending laws and regulations.

## **MINORITY APPLICATION FLOW**

A review of the credit union's residential loan applications was conducted in order to determine the number of applications the credit union received from minorities. In 1998 and 1999, the credit union received 127 residential loan applications from within its assessment area. During this period, 4 applications or 3.2 percent, were received from minorities, only one of which was denied.

The credit union's minority application flow for this period was compared with the racial make-up of the assessment area and 1998 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the institution's minority application flow.

According to 1990 Census Data, the credit union's assessment area contained a total population of 229,373 individuals of which 9.8 percent are minorities. Aggregate information indicated that, of the 18,713 HMDA-reportable applications received from other institutions within the assessment area in 1998, 6.5 percent were from minorities. By comparison, Brotherhood Credit Union's minority application flow is less than that of the aggregate and below the percentage of the minority population within the assessment area.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## **BROTHERHOOD CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **FEBRUARY 3, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_



# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.